

**Statement for  
Confirmation Hearing of Ambassador Rita Hayes  
Senate Finance Committee  
September 10, 1997**

Thank you, Mr. Chairman, Members of the Committee. It is an honor to be here as a nominee, and I appreciate this opportunity to discuss our trade policy and interests in the World Trade Organization.

We are almost three years into the implementation of the WTO -- an historic bargain between the United States and more than 120 nations. In that bargain, each member nation agreed that free trade could only be sustained and expanded if it is fair and that fairness would require a concerted effort to deepen, strengthen, and enforce the rules of global commerce.

The responsibility of this Administration and this Congress, put simply, is to ensure that America gets the benefit of that bargain. The long term implications are clear: one pillar of our nation's economy will always be its ability to compete and trade in the world economy. But immediate interests are also at stake: more than 11 million Americans work in jobs supported by exports.

The best way for the United States to advance our interests -- to get fair trade on a level playing field -- is to speak with a strong voice in the WTO and continue being the leading force for a rule-based system of trade that fosters openness and fair competition.

If you will allow me, I would like to give you just a brief overview of where we stand in the development of the WTO and the goals we are pursuing.

Foremost, we are concerned with completing what we have started: that is, getting our trading partners to fully *implement* the hundreds of trade commitments covered under the Uruguay Round. The United States has been energetic in meeting its WTO obligations, and the general trend among member nations has been a good faith response.

But many times our inquiries of other nations have been answered with obfuscation, foot-dragging, reinterpretations, disguised obstacles, or plain silence. That is unacceptable. We expect all countries to meet their commitments, by the letter of their agreements and in their spirit. Until they do, we are going to stay on the case.

Once a country's laws and rules of the road are in place, we expect them to be enforced. As the WTO has developed, *enforcement* has increasingly demanded more attention and resources in our trade policy. From 1995 to 1996, the Administration more than doubled the number of its trade enforcement complaints at the WTO, rising from 6 complaints to 15. In the first half of this year, the administration has already brought an additional 10 complaints.

We believe an aggressive approach to enforcement produces results that will echo far beyond any single case. Those results demonstrate to all nations that the WTO can be a fair and effective means of dispute settlement. They set specific precedents to guide future policy decisions and reform programs. They add strength, impartiality, and authority to sanctions, when sanctions are necessary.

And most important, they shape perceptions and influence how other nations take our word. They tell other nations that the United States will not allow a binding pledge of trade commitments to be treated as a dead letter. An agreement is worth nothing if a nation is not willing to enforce it.

On behalf of American workers, farmers, and industry we are going to continue vigorously protecting our interests in trade agreements. This vigilance will secure American jobs in trade-dependent industries. And over the long run, it will reaffirm and improve the integrity of the worldwide trade system.

Another key goal the United States has is the development of a way to sustain the momentum for continuous -- rather than round-by-round -- *trade expansion and liberalization*. The world economy moves too fast and the stakes are too high for nations to continually postpone market openings in the hope of a future Round.

Our goal is to build on the regional and multilateral trade agreements that have already been reached. In addition, we want to continue using the leadership of the United States to expand the coverage of existing trade agreements to address practices that undermine the benefits achieved through stronger trade rules and market access commitments: trade distortions created by low labor standards; excessive regulation; lack of transparency; bribery and corruption; barriers to environmentally sustainable development; and anti-competitive behavior.

Earlier this year, Ambassador Barshefsky completed the far-reaching Information Technology Agreement. This agreement virtually eliminates tariffs across a \$500 billion industry and gives our companies more opportunity to compete in this dynamic sector. It also stands as an example of what strong American leadership can do to open markets on a regular basis.

I would like to note just in passing that the President's current initiative for additional trade expansion -- the renewal of *fast track authority* -- will be considered by the Congress in the coming weeks. With that authority, we can continue the legacy of forceful American leadership in the world economy, and American workers, farmers, and industry win. In its absence, we will have less power to chart the best course for our trade interests. We encourage the Congress to give it favorable consideration.

The principal goals I have outlined -- implementation, enforcement, and expansion -- are crucial to the integrity of the complex WTO trading system. In this light, the argument for a very careful and methodical process of *accession* to the WTO becomes much more compelling. New members must be full members, accepting obligations as well as opportunities.

Some 29 nations have now started accession proceedings. We must ensure that new entrants reinforce the WTO rules and provide market access on commercially meaningful terms. To do less would only undermine the support the American people have given our trade policy, and it would sow disrespect for the WTO among our trading partners. We have invested too much over the history of this trading system to let its future be shortchanged now.

The future of the WTO holds great promise for the United States. In addition to the financial services negotiations now underway, the next four years will see *major trade negotiations* in agriculture, services, and the rules for intellectual property rights. In each of these industries, US industries are ranked as the top global competitors, and they hold these positions at an especially opportune time. Developing nations are integrating with the global economy and investing in their infrastructure at an unprecedented pace, and the very products and services these nations need most for their growth are the ones that America does best. It's a natural fit. But the intersection of our supply and their demand will not be automatic. There is going to be a direct link between America's leadership on trade and our ability to prosper.

The list does not stop with those few sectors. There are literally hundreds of products and issues in which the United States has a significant interest under the WTO. Rather than try to catalogue them all here, I would like to touch on just a few of them and reserve the balance for your questions later:

- As you know Mr. Chairman, the negotiations for *financial services* are well underway. The US offer, which was tabled on July 14, has been well-received. Along with the Treasury Department, we have been working very hard to encourage the key nations, especially in the Asia-Pacific and Latin American regions, to improve their offers. To successfully conclude these negotiations this year, our trading partners must significantly improve their commitments based on the GATS principles of market access, national treatment, and MFN. Given the precedent set by the telecommunications agreement, we hope to see improved offers and reach a meaningful and comprehensive agreement by the end of the year.
- Negotiations to further open the \$526 billion global *agriculture market* are to be initiated in 1999. While the Uruguay Round reduced some of the most difficult barriers to agricultural trade, helping us to attain a record level of agricultural exports in 1996, our work is far from done. Removing agricultural barriers wherever they exist is one of our highest priorities of the next four years, so follow-on negotiations in the WTO are extremely important. We will work hard with our allies on this issue to move ahead.
- *Services negotiations* to expand this \$1.2 trillion global market -- where U.S. firms exported more than \$220 billion in 1996 with a surplus of \$74 billion -- are to start in January 2000. In particular, the TRIPs agreement which protects the interests of fast-growing U.S. copyright industries exporting over \$400 billion a year, is to be reviewed, with key elements examined before then. We must do everything possible to expand opportunities for such vibrant industries.

The "built-in agenda" from the Uruguay Round provides other opportunities to open foreign markets. As traditional tariff barriers become less of a problem, the built-in agenda is in many respects aimed at clearing away the impediments left by *nontariff barriers* -- be they deliberate or the unintended consequence of bureaucracy and inefficiency.

- For example, the rules governing *technical barriers to trade* -- covering product standards, technical regulations and associated procedures such as testing and certification -- are

scheduled to be reviewed by this December; sanitary and phytosanitary rules affecting trade in agricultural goods will be reviewed by this coming January. These reviews will play an important role in our broader efforts to ensure that the development and application of product standards and environmental, health, and safety regulations are adequately justified and do not serve as disguised restrictions on international trade.

- Similarly, bringing about the full implementation of the *customs valuation* agreement by 2000, particularly by WTO members in key emerging markets, will help to ensure that our exports to those markets are not impeded by improper or incorrect customs valuation methods that might distort the price of our products and erode the benefits of Uruguay Round market access gains.
- Negotiations for harmonizing the *rules of origin* are also due to be completed by July 1998. A harmonization agreement will significantly enhance commercial predictability and reduce the ability of governments to manipulate these rules as a means of “reclassifying” products under a higher tariff. For U.S. industries that source their parts and components from around the world for production in various countries, these rules are critical to their operations and cost predictions.
- The work this year to improve and expand the coverage of WTO rules on *government procurement* can facilitate U.S. efforts to improve our access to the lucrative infrastructure projects now planned or under way in the rapidly growing regions of the world. For example, we estimate that Asia alone will provide opportunities for up to \$1 trillion in business for such projects over the next decade.
- The U.S. will push for broader and clearer reporting of *state trading activities* which will lead to a better understanding of the relationships between state trading enterprises and governments and of the types of activities in which STEs engage. Due to our concerns about the state trading activities of other countries, especially in agricultural products, there is heightened scrutiny of STEs in the WTO.

Whether by addressing longstanding and systemic issues such as these or by cultivating sectoral liberalization outside the WTO, as we are doing in APEC, the bottom line will be the same. We are going to be working to create and protect American jobs, and and we are going to work to build the institutions and rules that open markets and bring stability to world trade.

Mr. Chairman, I have been very fortunate to be a part of this Administration’s effort, and I look forward to working with the members of this Committee and this Congress as we go forward. That concludes my prepared remarks. I will be glad to take questions if the committee so chooses.